

# **KENTUCKY RETIREMENT SYSTEMS**

## **CONFLICT OF INTEREST AND CONFIDENTIALITY POLICY**

Approval Date: August 17, 2006

Amended: August 18, 2011

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### **INTRODUCTION**

#### **Adoption of Conflict of Interest and Confidentiality Policy:**

Pursuant to the provisions of KRS 61.645, the Board of Trustees ("Board") of the Kentucky Retirement Systems ("KRS") is permitted to adopt procedures necessary to conduct the business of the Retirement Systems as needed. The law shall control if any inconsistency exists between the law and this policy.

#### **Statement of Conflict of Interest and Confidentiality Policy:**

KRS recognizes the need to maintain the public's confidence and trust in the integrity of KRS and the Commonwealth of Kentucky. Individuals associated with KRS must not engage in activities that have the potential to become a conflict of interest with their association with KRS. Likewise, individuals associated with KRS must not release information about KRS or any of its members that would breach any duty to protect such information. KRS recognizes the need to establish procedures to prevent such conflicts or breaches.

#### **Purpose:**

The purpose of this Conflict of Interest and Confidentiality Policy is to: a) establish what individuals are subject to conflict of interest provisions of KRS; b) establish the specific standards of conduct with regard to conflict of interest; c) establish standards with regard to the confidentiality of information; and d) establish procedures for the obtaining of written conflict of interest statements and confidentiality agreements from certain individuals.

### **PROCEDURES REGARDING CONFLICTS OF INTEREST AND CONFIDENTIALITY**

#### **Section 1: Application of Policy**

1. This policy shall apply to all individuals who have a statutory, contractual or working relationship with KRS.
2. Individuals affected by this policy shall include, but are not limited to:
  - a. Employees of KRS;
  - b. The Board;

- c. Independent contractors of KRS; and
- d. Vendors of KRS.

## Section 2: Standards of Conduct Regarding Conflicts of Interest

1. Individuals have an obligation to diligently identify, disclose, avoid, and manage conflicts of interest.
2. Potential conflicts of interest exist when an individual or an individual's family may be directly or indirectly financially impacted, whether favorably or detrimentally, by a decision made by KRS in which the individual participates.
3. Individuals and their family members should not enter into any contract with KRS or any agency doing business with KRS, for financial gain, apart from an employment contract, without full disclosure and satisfactory management of any potential conflict of interest in accordance with the Executive Branch Code of Ethics.
4. Individuals should not be involved in the decision to hire or in the supervision of any member of their immediate family.
5. Individuals should not conduct business or participate in decisions with a company or agency in which the individual or family member is employed or is actively seeking employment.
6. Individuals should not accept gifts, loans, gratuities, discounts, favors, hospitality, services, or other compensation under circumstances from which it could reasonably be inferred that a major purpose of the donor is to influence the individual in the performance of their duties.
7. Individuals must avoid all conduct which in any way might lead the public to believe that the individual is using his or her position with KRS to further a professional or private interest.
8. Individuals not covered by the conflict of interest provisions under KRS Chapter 11A must not violate any conflict of interest statute or principle by the performance of their duties with KRS. These individuals must not engage directly or indirectly in any financial or other transaction with a trustee or employee of KRS that would violate the standards of the Executive Branch Ethics provisions, as set forth in KRS Chapter 11A.

### Section 3: Standards of Conduct Regarding Confidentiality

1. Individuals associated with KRS may be granted access to confidential information in the course of an employment, Board or contractual relationship with KRS.
2. This information may include, but is not limited to, individual member information, including but not limited to, Social Security numbers, names, addresses, phone numbers, birth dates, beneficiaries, health insurance information, Personal Identification Numbers (PIN), as well as documents, records, programs, files, scientific or technical information, or other information made available to individuals for purposes of completing their obligations to KRS.
3. These individuals have a duty to keep confidential the information to which they are granted access as a result of their association with KRS.
4. KRS and these individuals shall also recognize that confidential member information is protected under KRS 61.661.

### Section 4: Written Statements of Conflict of Interest and Confidentiality

1. On an annual basis, the Executive Director, Chief Investment Officer, Chief Operations Officer, Chief Benefits Officer, all employees of the Division of Investments, the General Counsel, Assistant General Counsel, the Senior Advisor for Retiree Health Care, all Division Directors, the Members of the Board, and any independent contractors and vendors of KRS shall file a written conflict of interest statement on the form(s) provided by KRS and adopted by the Board of Trustees.
2. Upon proposal for contract, and continuing on an annual basis, any independent contractors and vendors of KRS shall file a written confidentiality agreement on the form provided by KRS and adopted by the Board of Trustees. This form may be amended to conform to specific needs of the individual vendor or contractor as deemed necessary.
3. Other employees of KRS may also be requested to file a written conflict of interest statement as needed or requested by the Board.
4. An individual who abstains from involvement in an official decision because of a personal or private interest must disclose that fact in writing to his or her supervisor or contact person at KRS.

Section 5: Violations of Conflict of Interest and Confidentiality Policy

1. Any person who suspects that an employee of KRS, a member of the Board of KRS, or an outside vendor has violated the Kentucky Retirement Systems Conflict of Interest and Confidentiality Policy, the Bylaws, or any board policy may file a complaint in writing with the Board.
2. The written complaint shall be in the form of a letter addressed to the Chair of the Board and the Internal Auditor. If the complaint is about the Chair of the Board, the complaint shall be addressed to the Vice Chair of the Board and the Internal Auditor. If the complaint is against the Internal Auditor, the complaint shall be addressed to the Chair of the Board and the Chair of the Audit Committee of the Board.
3. A complaint may be filed anonymously. Employees of KRS filing a complaint may be protected by the Kentucky Whistleblower Statute, KRS 61.102.
4. A complaint shall include the name of the person or organization against whom the allegations are made and a detailed description of the violation including the time, date, and place, if known. The person should attach to the complaint all evidence in his or her possession regarding the alleged violation.
5. If the complaint is against an employee of KRS, the Chair and the Internal Auditor shall send the complaint to the Executive Director for investigation as provided by the Kentucky Retirement Systems Personnel Policies. If the allegations are found to be true, the employee shall be disciplined as provided by the Kentucky Retirement Systems Personnel Policies.
6. If the complaint is against a vendor of KRS, the Chair and the Internal Auditor shall send the complaint to the Executive Director to be investigated. If the allegations are found to be true, any action taken shall be consistent with the contract between KRS and the vendor.
7. If the allegations are against a member of the Board of Trustees, the Executive Director, the Internal Auditor, or the Chief Investment Officer, the complaint shall be added to the agenda of the next regularly scheduled or special Audit Committee meeting. The Chair shall send a copy of the complaint to the member of the Board of Trustees, the Executive Director, or the Chief Investment Officer against whom the allegations are made. The member of the Board of Trustees, the Executive Director, the Internal

Auditor, or the Chief Investment Officer may file a written response to the allegations. The member of the Board of Trustees, the Executive Director, the Internal Auditor, or the Chief Investment Officer should attach to the response all evidence in his or her possession regarding the alleged violation.

8. The Audit Committee shall determine how the investigation of the complaint is to proceed. The Audit Committee may assign staff to investigate the allegations made in the complaint or may engage a third party to investigate the allegations made in the complaint.
9. If the results of the investigation indicate that there is no basis for the allegations or the allegations are not a violation of this policy, a report shall be presented to the Board at the next regular or special Board meeting. If the Board decides to take no action, the investigator shall prepare an explanation of the decision to take no action and shall maintain a copy of the complaint and the explanation. A copy of the explanation shall be sent to the member of the Board of Trustees, the Executive Director, the Internal Auditor, or the Chief Investment Officer against whom the allegations were made.
10. If the results of the investigation indicate that there is a basis for the allegations, the Chair shall place the matter on the agenda for the next regular or special Board meeting. The Board shall determine whether or not a violation of this policy occurred and whether to impose disciplinary action under the terms of this policy.
11. The discussion of the disciplinary action shall be conducted in closed session pursuant to KRS 61.810(f). The decision regarding disciplinary action shall be made in open session as required by KRS 61.815(1)(c). The complaint and all evidence shall be recorded in the minutes of the meeting.
12. The determination that the Executive Director, the Internal Auditor, or the Chief Investment Officer violated this policy shall require a vote of two thirds of the total membership of the Board.
13. The determination that a member of the Board violated this policy shall require a vote of two thirds of the total membership of the Board. If there are not sufficient members of the Board present at a meeting, the Chair may pass the matter to the next regular or special meeting of the Board.
14. If the Executive Director, the Internal Auditor, or the Chief Investment Officer is found to have violated this policy, the Board may impose one of the following disciplinary actions:


- a. Verbal Reprimand;
  - b. Written reprimand, which will be added to the minutes and placed in the personnel file of the Executive Director, Internal Auditor, or Chief Investment Officer;
  - c. Suspension without pay for a period of time; or
  - d. Termination of employment.
15. The Executive Director, the Internal Auditor and the Chief Investment Officer shall not have the right to appeal to the Kentucky Personnel Board.
16. If the member of the Board is found to have violated this policy, the Board may impose any or all of the following disciplinary actions:
  - a. Remove the member of the Board from any or all committees of the Board to which the member is assigned;
  - b. Verbal public reprimand; and/or
  - c. Written public reprimand.
17. The Board may also direct staff to report the violation to the Executive Branch Ethics Commission, Kentucky Attorney General, or other appropriate entity.
18. The determination of the disciplinary action to be taken shall require a vote of two thirds of the total membership of the Board.

#### **ETHICS AND CONFIDENTIALITY**

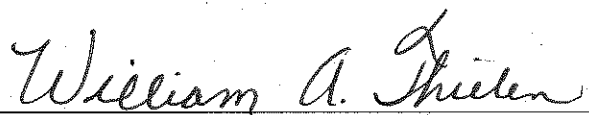
Individuals as set forth above shall conform to the Executive Branch Code of Ethics with regard to conflicts of interests as set forth in KRS Chapter 11A. Individuals as set forth above shall conform to the confidentiality requirements of KRS 61.661.

**CERTIFICATION**

We, the Chair of the Board of Trustees and the Executive Director, do hereby certify that this Board of Trustees Conflict of Interest and Confidentiality Policy was amended by the Board of Trustees on this the 18<sup>th</sup> day of August, 2011.

  
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Jennifer L. Elliott, Chair

8-13-11  
Date

  
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William A. Thielen, Interim Executive Director

8-23-11  
Date